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## Czech Republic

**Post:** Prague

### Distilled spirits find a market in Czech Republic

**Report Categories:**

Product Brief

Beverages

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**Report Highlights:**

Even though the Czech Republic is very well known for its high beer consumption, it's spirits market is on the rise. Total alcohol per capita consumption is 10.4 liters. Czech consumers are interested in new tastes but Scotch whiskeys not U.S. bourbons or whiskeys dominate. Those whiskeys have been heavily promoted. Fighting back, the U.S. Distilled Spirits Council will visit Prague for an event hosted with the FAS office July 15, 2010.

**General Information:**

According to the Czech statistical office the total imports of the distilled spirits in consumer packaging (HTS 2208) to the Czech Republic in CY 2009 reached over US \$103 million. The value of distilled spirits imported from the United States to the Czech Republic was nearly US \$7 million. The most imported alcohol was whiskey, scotch whiskey, rum, and tequila. On the other side, the total exports of the distilled spirits in consumer packaging (HTS 2208) from the Czech Republic in CY 2009 reached US \$48 million. The largest foreign market for the Czech distilled spirits is Slovakia, where the Czech exports amounted to US \$31 million. To the United States the Czech distilled spirits exports reached US \$ 642,000. The most imported alcohol to the U.S. was mostly Czech national distilled spirits such as slivovice (plum brandy), hruskovice (pear brandy) and tresnovice (cherry brandy).

In CY 2009 the Czech Republic was the largest market in the world for Tullamore Dew whiskey in the world. Last year Czechs bought more than 850,000 liters. The exclusive importer Stock Plzen of this Irish whiskey announced that the sales were around 32% percent higher than usual. According to the Czech Union of Spirits Producers (Unie výrobcu lihovin) the demand for Irish whiskey is increasing due to production advertising and events. Whiskey is generally a very popular spirit for the Czech consumers, only a few years ago a boom grew for American bourbon and Scotch whiskey.

The expansion is also visible at the Czech side. One of the largest producers of distilled spirits the Stock Plzen significantly increased the exports of their products. They have announced that the exports last year increased from 3.3 million liters in CY 2008 to 4.2 million liters in CY 2009. The increase in exports is also reflected in the number of importing countries such as Germany, Norway, Hungary, Lebanon and many others.

All Czech distilled spirits producers experiencing increase in sales in CY 2009. The biggest Czech companies such as Stock Plzen-Bozkov, Granette, Jan Becher, Rudolf Jelinek and Fruko Schulz have announced that they had the largest sales last year comparing to previous years.

The company Stock Plzen-Bozkov estimated their sales at 27.99 million hectoliters of distilled spirits, which is 5% more than in CY 2008. The increase in sales also announced Fruko Sulz Company that sold around 6.7 million hectoliters of distilled spirits. For this company it was the largest turnover in history. Granette company experienced its largest sales and is the second biggest producer of distilled spirits, and sold 7.4 million hectoliters of spirits. In CY 2008 they have sold 7.252 million hectoliters.

Nevertheless, in the last year most of the producers were experiencing very high sales, while since January 2010 they have announced that due to the higher excise tax and the economic downturn the sales rapidly dropped. The increase in excise tax means that the price of the pure alcohol increased by 20 CZK. This means that the price of 1 liter distilled spirit containing 40% of ethanol is approximately by 5 CZK higher than in the last year.

The distribution of alcohol in the Czech Republic is very specifically defined compared to other

sectors. The domestic producers and importers supply only retail chains and wholesalers. These wholesalers then supply hotels, restaurants, independent retailers, small retailers, petrol stations and specialized stores.

It was estimated that Czech consumers prefer higher quality spirits over the cheap ones in recent couple of years. According to the Czech retailers, consumers are willing to pay more than thousand crowns for the bottle of high quality alcohol. Moreover, not only individuals but also restaurants and hotels buy expensive alcohol. In the Czech Republic the demand for the expensive and high quality distilled spirits increase every year. To the most popular alcohol belongs for example Cognac Hennessy Richard, which costs around 60,000 crowns, Cognac Remy Martin Louis XIII which can be purchased for about 35,000 crowns.

## **US Market Potential**

Throughout the last years the Czech Republic was experiencing economic growth. After the accession to the European Union in 2004 the market potential has even increased. Recently most of Czech consumers are willing to buy luxury and high quality products, including distilled spirits. The Czech market has been seen dynamic growth of the international brands over the traditional ones. The economic downturn caused a slump in sales, however, as the Czech economy is still continuing to grow, the drop in demand is expected to pick up next couple of years.

## **Festivals and Trade Shows in the Czech Republic**

### ***Vino a destilaty (Wine and Spirits)***

International Trade Fair for Gastronomy

April 27-29, 2010 Prague

[www.vinodestilaty.cz](http://www.vinodestilaty.cz)

## **Labeling Requirements:**

Labeling information must be written in Czech and has to include these requirements:

- Name under which the product is sold
- List of Ingredients (must show all ingredients including additives and allergens)
- Net quantity of pre-packed beverage in metric units
- Date of minimum durability
- Any special conditions for storing or use
- Name or business name and address of the manufacturer, packager or importer established in the EU
- Place of origin or provenance
- Instructions for use
- Indication of the acquired alcoholic strength for beverages containing more than 1.2 % by volume
- Lot marking on pre-packaged beverages

For more information visit website Alcohol and Tobacco Tax and Trade Bureau where you will find other necessary information related to the EU standards of fill, licensing, import procedures, taxes/tariffs and contacts.

<http://www.ttb.gov/itd/czech.shtml>

### **Consumption:**

The consumption of the distilled spirits is increasing especially in the last few years. According to the Czech Statistical office the consumption of alcohol has tripled in the last 70 years. Currently the average annual consumption of the alcohol is around 10.4 liters per capita. In the Czech Republic beer has been very popular, preferred by half of the people in the country. Wine is preferred by more than 34% of the population and the distilled spirits prefer only four percent of the Czech consumers. However, compared to other European countries the consumption of distilled spirits is increasing every year. In the Czech Republic, cocktails have become very popular especially among young people. The most popular drinks are for example Mojito, Cuba Libre or Long Island where rum is the essential part. Therefore, rum is a highly demanded distilled spirit in the Czech bars according to the magazine Gastro Plus.

Since 2004 the consumption of distilled spirits, especially vodka and rum, has increased significantly. According to the Czech Union of Spirits Producers (Unie výrobcu lihovin) the distilled spirit companies produced approximately 65 million liters of spirits, which is by 21% more than in CY 2007. Furthermore, they estimated that the consumption of vodka and rum reached 26 million liters.

Sales are mostly influenced by the increasing excise tax on distilled spirits. For example in 2004 the excise tax increase caused sales of distilled spirits to drop by 15 percent. Currently, the Czech Republic is experiencing a similar situation and in January 2010 sales dropped because of a higher excise tax. However, the producers have said that their sales increased in November-December 2009, when traders and retailers wanted to stock up with cheaper distilled spirits.

### **Policy:**

#### **Tariff Schedule and Excise Tax**

For import tariffs, the EU has a unified tariff schedule, where the actual tariff rates for different products can be found. The TARIC database is accessible from:

[http://ec.europa.eu/taxation\\_customs/dds/tarhome\\_en.htm](http://ec.europa.eu/taxation_customs/dds/tarhome_en.htm)

<b>HTS Code</b>	<b>Code Description</b>
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher; ethyl alcohol and other spirits, denatured, of any strength
2207 10	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher
2207 20	Ethyl alcohol and other spirits, denatured, of any strength
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages

2208 20	Spirits obtained by distilling grape wine or grape marc
2208 30	Whiskies
2208 40	Rum and other spirits obtained by distilling fermented sugar-cane products
2208 50	Gin and Geneva
2208 60	Vodka
2208 70	Liqueurs and cordials
2208 90	Other

Please note that each of this group has also its subgroup. For example Bourbon Whiskey has TARIC code 2208 30 11, under its dominant group Whiskeys.

Since January 2010 the excise tax on alcoholic beverages in the Czech Republic increased by more than one dollar per liter of pure ethanol content. According to harmonized tariff schedule codes (HTS) the rates are following: 20 Cz Crown -\$1 (June 9, 2010)

<b>THS Code</b>	<b>Description</b>	<b>Excise Tax Rate</b>
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher; ethyl alcohol and other spirits, denatured, of any strength	28,500 CZK/hl of pure ethanol
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages except for the fruit growers' production	28,500 CZK/hl of pure ethanol
2208	ethyl alcohol, spirits, liqueurs and other spirituous beverages originating from the fruit growers' production	14,300 CZK/hl of pure ethanol
other		28,500 CZK/hl of pure ethanol